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"Growing Strength of the Soviet Merchant

1. Attached is an unclassified text on the growth of the Soviet merchant fleet.
2. This material was prepared at the request Office of General Counsel, for use by a member of Congress.

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GROWTH OF THE SOVIET MERCHANT FLEET

The seaborne foreign trade of the USSR, particularly in petroleum exports, has been growing at an increasing rate since 1955. Concurrent with this growth in foreign trade, the merchant fleet of the USSR has been expanding at a high rate. Since 1955 the tonnage of the Soviet fleet has almost doubled.

With the exception of vessels received as reparations from Germany, most of the vessels added to the Soviet merchant fleet since World War II have been of new construction. As a result, the average age of the vessels in the fleet is relatively low. However, through 1955 in the case of dry cargo vessels, and through 1959 in the case of tankers, the vessels added to the Soviet merchant fleet were largely of out-moded design, smaller and slower than equivalent vessels added to the fleets of the major maritime powers during those years. Thus the USSR is only now beginning to build up a fleet of vessels which are economically competitive with the latest vessels added to Free World fleets. At the end of 1960 modern, competitive vessels made up little more than 10 percent of the tonnage in the Soviet merchant fleet.

As of 31 December 1960 there were more than 800 vessels in the Soviet merchant fleet with a total tonnage estimated at 4.5 million deadweight tons, approximately 2.6 percent of the world total. The ranking of the Soviet fleet among the fleets of the leading maritime powers is shown in the table below:

<u>Country</u>	<u>Ranking</u>	<u>Million DWT</u>
US	1	32.6
UK	2	25.2
Liberia*	3	17.4
Norway	4	16.1
Japan	5	9.4
Greece	6	7.3
Italy	7	6.5
Panama*	8	6.1
West Germany	9	6.0
France	10	6.0
The Netherlands	11	5.7
Sweden	12	5.2
USSR	13	4.5

* The Liberian and Panamanian fleets consist largely of "flag of convenience" vessels owned by American and Greek shipping interests.

Deliveries of new vessels to the Soviet fleet during 1960 totaled 600,000 DWT. The fleets of five other nations received higher tonnages, in most cases close to 1 million DWT. However the fleet of the USSR showed a considerably higher rate of net growth than most of the fleets of comparable size -- 15 percent compared with 4 percent for most of the Western nations.

Deliveries to the fleet during the remainder of the current Seven Year Plan, 1961-1965, are planned to attain even higher levels. During this period there will be an increased emphasis on the acquisition of modern super-tankers. By the end of 1965 the fleet should total almost 1,200 ships with a minimum tonnage of 7.8 million DWT, one-third of which will be tanker tonnage. If this growth is achieved the Soviet fleet could conceivably rise from 13th to 8th place in world rankings. Most of the vessels delivered will be fully comparable to the latest vessels being delivered to Free World fleets. It is estimated that by the end of 1965 the tonnage of modern vessels in the tanker fleet will amount to at least 60 percent and in the dry cargo fleet to at least 30 percent. The Soviet fleet would then be on an approximate par with the fleets of West Germany, France, and the Netherlands in terms of size and in terms of ship quality.

The seaborne foreign trade of the USSR in 1960 totaled more than 40 million tons over half of which was carried in foreign vessels. In 1958 at the time the Seven Year Plan was announced, the USSR stated as a goal for 1965 the reduction of the share of Soviet seaborne foreign trade carried in foreign vessels to below 25 percent. To date the Soviets have made little progress in achieving this target and it is probable that the accelerated growth of Soviet trade, particularly of petroleum exports, will make attainment of this goal unlikely. To the extent that the USSR is able to reduce its utilization of foreign shipping, increased amounts of foreign exchange will become available with which to purchase vital technical imports from the Free World.

Aside from the need to improve its foreign exchange position and other more obvious economic motives, the addition of modern vessels to the Soviet fleet, particularly these super-tankers under construction in Soviet shipyards, provides one more means of impressing underdeveloped nations with Soviet technological progress. In its increasingly heavy trade with Cuba, for example, the USSR has been very careful to employ as many as possible of its most up-to-date tankers and freighters.